

Nitin Fire Protection Industries Ltd.

Sector: INDUSTRIAL MACHINERY

 24th November, 2015

Strong order book intact; maintain BUY

Nitin Fire Protection industries Ltd., (NFPIIL) reported strong 2QFY16 result with a consolidated revenue growth of 38.4%/32% YoY/QoQ respectively at Rs 4.4 bn led by strong order book in India/UAE business. EBITDA margin seen expansion of ~647bps/87bps YoY/QoQ to 12.1% for 2QFY16.

Strong traction in UAE business caused robust revenue growth: NFPIIL reported consolidated revenue of Rs 4.4bn, a YoY/QoQ growth of 38.4%/32% respectively mainly due to strong traction from UAE business. As per the company, the current order book for UAE/India business stood at USD 120mn/ Rs 2.75bn. NFPIIL has also bid for the tender worth USD 400mn/Rs 7bn respectively for its UAE/India business. We expect, NFPIIL to grow at a CAGR of ~32% over FY15-18e backed by the strong order book.

EBITDA margins expansion of 647bps YoY: 2QFY16 EBITDA stood at Rs 541mn a YoY/QoQ growth of 196%/42% respectively. EBITDA margin seen the expansion of 647bps/87bps YoY/QoQ respectively. 2QFY16 EBITDA margins were high mainly due to below normal other expenses (~Rs 100mn one time write off of payable in 2QFY16). However, going forward, We expect EBITDA margin expansion of 254bps over FY15-18e led by better operational leverage, strong order book.

Opportunities from India and UAE to remain intact: In UAE, the company is facing potential slowdown in general construction sector, however works required in the context of Dubai hosting the 2020 Expo as well as projects within the key industrial and/or government-related sectors such as petrochemicals, power, education and health care have seen good traction. In India, business growth is slow but, NFPIIL is hopeful on government investments and improving domestic business sentiments.

Valuation: The stock at CMP of Rs 41 is trading at 10.9x/6.9 of FY16/FY17e. We believe that, NFPIIL with the improving operational efficiency and strong order book from India and UAE will grow its revenue/earnings at a CAGR of 32%/42% respectively over FY15-18e We maintain our BUY rating with the price target of Rs 88. (15x PE on EPS FY17e).

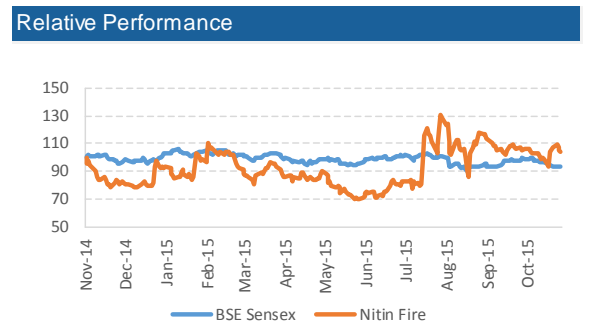
Price	Price Target	Up/Down (%)
Rs. 41	Rs. 88	117%

Bloomberg Code	Reuters Code
NFPI IN	NIFP.NS

Share Holding (%)	As on 30th September 2015
Promoters	72.5
FII	12.6
DII	2.47

Stock Data	
Nifty	7,832
Sensex	25,776
52 week high/low	55.4/27
Market Cap (Rs. bn)	11.9
Face Value	Rs. 2

Price performance (%)	1M	3M	6M	1Y
Absolute	-1.5	-17.1	18.4	7.4
Relative to Sensex	4.5	-11.5	26.0	16.2



Source:-Bloomberg

Exhibit 1: Financial summary (Rs mn)

Y/E March	FY13	FY14	FY15	FY16e	FY17e	FY18e
Net sales	7047	10161	11466	14570	19323	26263
Growth (%)	31.5	44.2	12.8	27.1	32.6	35.9
Operating margin (%)	11.4	11.2	10.1	11.0	11.8	12.6
PAT	614	665	671	1091	1720	2687
Adjusted PAT	594	714	671	1091	1720	2687
EPS (Rs)	2.0	2.4	2.3	3.7	5.9	9.2
Growth (%)	35.0	20.2	-6.0	62.6	57.6	56.2
P/E(x)	20.0	16.7	17.7	10.9	6.9	4.4
ROE (%)	20.4	20.7	16.5	22.4	28.0	32.7
ROCE (%)	13.5	14.0	13.1	16.5	20.3	24.4
Debt/equity (x)	1.11	1.06	0.94	0.81	0.66	0.50
P/Bv (x)	2.8	2.4	2.7	2.2	1.7	1.3

Source: Company, BOBCAPSe

Exhibit 2: 2QFY16 Financial

(Rs Mn)	2QFY16	2QFY15	YoY (%)	1QFY16	QoQ (%)
Net Sales	4,456	3,221	38.4	3,379	31.9
Raw material consumed	3,763	2,844	32.3	2,615	
(%) of net sales	84	88		77	9.1
Staff cost	109	52	108.6	99	
(%) of net sales	2	2		3	
Manufacturing & Other Expenses	43	142	-69.4	283	-84.7
(%) of net sales	1	4		8	
EBITDA	541	183	196.1	381	42.1
Depreciation	48	23		75	
EBIT	493	159	209.7	306	61.2
Interest	144	104		102	
Other Income	67	29		18	
PBT	416	83	398.6	222	87.5
Less: Taxation	23	20		14	
Less: Minority Interest	0	6		0	
Recurring PAT	393	58	582.9	208	89.2
Exceptional items	0	0		0	
Reported PAT	393	58	582.9	208	89.2
EPS	1.3	0.2		0.7	

Source: Company, BOBCAPSe

Financials

Exhibit 3: Income Statement

Y/E Mar (Rsmn)	FY13	F14	F15	F16e	F17e	F18e
Net sales	7,047	10,161	11,466	14,570	19,323	26,263
<i>growth (%)</i>	31.5	44.2	12.8	27.1	32.6	35.9
COGS	5,697	8,211	9,450	11,774	15,460	20,803
Staff Cost	194	258	313	397	527	716
Changes in inventories	(39)	3	(83)	(7)	(10)	(13)
SG&A Cost	389	552	631	802	1,063	1,445
EBITDA	806	1,137	1,155	1,604	2,282	3,312
<i>growth (%)</i>	20	41	2	39	42	45
Depreciation & Amortization	47	106	144	161	178	194
EBIT	759	1,031	1,011	1,443	2,105	3,118
Other income	182	19	113	124	137	150
Interest paid	254	305	414	433	453	474
Extraordinary/Exceptional items	(24)	(49)	-	-	-	-
PBT	687	744	710	1,135	1,788	2,794
Tax	49	30	39	44	69	108
Minority interest	-	-	-	-	-	-
PAT	614	665	671	1,091	1,720	2,687
Non-recurring items	24	49	-	-	-	-
Adjusted PAT	594	714	671	1,091	1,720	2,687
<i>growth (%)</i>	35	20	(6)	63	58	56

Exhibit 4: Balance Sheet

Y/E Mar (Rsmn)	FY13	F14	F15	F16e	F17e	F18e
Cash & Bank balances	576	368	846	919	969	1,247
Other Current assets	4,939	6,211	6,665	8,057	10,305	13,326
Investments	-	-	-	-	-	-
Net fixed assets	1,822	1,994	2,100	2,189	2,261	2,317
Goodwill	-	-	-	-	-	-
Other non-current assets	217	188	188	188	188	188
Total assets	7,555	8,761	9,798	11,352	13,723	17,078
Current liabilities	833	1,110	1,221	1,628	2,212	2,804
Borrowings	3,529	3,923	4,155	4,348	4,551	4,764
Other non-current liabilities	17	17	19	19	19	19
Total liabilities	4,380	5,050	5,394	5,994	6,782	7,587
Share capital	441	438	585	585	585	585
Reserves & surplus	2,734	3,273	3,819	4,774	6,357	8,907
Shareholders' funds	3,175	3,711	4,404	5,358	6,941	9,491
Total liabilities	7,555	8,761	9,798	11,352	13,723	17,078

Source: Company, BOBCAPSe

Exhibit 5: Cash Flow Statement

Y/E Mar (Rsmn)	FY13	F14	F15	F16e	F17e	F18e
Profit after tax	570	665	671	1,091	1,720	2,687
Depreciation	30	99	144	161	178	194
Chg in working capital	(396)	(964)	(341)	(986)	(1,663)	(2,429)
Total tax paid	(2)	(2)	-	-	-	-
Cash flow from operations	202	(202)	475	266	234	452
Capital expenditure	(386)	(271)	(250)	(250)	(250)	(250)
Change in investments	-	-	-	-	-	-
Cash flow from investments	(386)	(271)	(250)	(250)	(250)	(250)
Free cash flow	(184)	(473)	225	16	(16)	202
Issue of shares	-	(3)	146	-	-	-
Net inc/dec in debt	603	394	231	193	203	213
Dividend (incl. tax)	(13)	(1)	(1)	(1)	(1)	(1)
Other financing activities	(40)	(125)	(123)	(136)	(136)	(136)
Cash flow from financing	551	265	253	57	66	76
Inc/(Dec) in Cash & Bank bal.	367	(208)	478	73	51	278

Exhibit 6: Ratio analysis

Y/E Mar	FY13	F14	F15	F16e	F17e	F18e
Per share data (Rs)						
EPS	2.0	2.4	2.3	3.7	5.9	9.2
CEPS	2.2	2.8	2.8	4.3	6.5	9.9
DPS	0.2	0.2	0.4	0.5	0.5	0.5
BV	14.4	16.9	15.1	18.3	23.7	32.5
Profitability ratios (%)						
Gross margins	16.4	16.7	14.9	16.5	17.3	18.1
Operating margins	11.4	11.2	10.1	11.0	11.8	12.6
Net margins	8.4	7.0	5.9	7.5	8.9	10.2
Valuation ratios (x)						
PE	20.0	16.6	17.7	10.9	6.9	4.4
P/BV	2.8	2.4	2.7	2.2	1.7	1.3
EV/EBITDA	14.8	11.0	13.1	9.5	6.8	4.6
EV/Sales	1.7	1.2	1.3	1.0	0.8	0.6
RoE	20.4	20.7	16.5	22.4	28.0	32.7
RoCE	13.5	14.0	13.1	16.5	20.3	24.4
RoIC	10	10	9	13	18	23

Source: Company, BOBCAPSe

Sales and Dealing Team

Purvesh Shelatkar – Senior Vice President & Head Equity	+91-22-6138 9330	purveshshelatkar@bobcaps.in
Anil Pawar – Senior Manager – Dealing	+91-22-6138 9325	anil@bobcaps.in
Sachin Sambare – Manager– Dealing	+91-22-61389331/33	sachin.sambare@bobcaps.in
Ashwin Patil – Executive – Dealing	+91-22-6138 9326	ashwin@bobcaps.in

Research Team	Sectors		
Vishal Dalmia – Head of Research	Capital Goods	+91-22-6138 9387	vishal@bobcaps.in
Vaishali Parkar Kumar – Analyst	Agri, Auto, Defence	+91-22-6138 9382	vaishali.parkar@bobcaps.in
Padmaja Ambekar – Analyst	Auto Ancillary, Infra, Midcap	+91-22-6138 9381	padmaja.ambekar@bobcaps.in
Akanksha Tripathi – Analyst	Footwear, FMCG	+91-22-6138 9383	akanksha.tripathi@bobcaps.in
Rishabh Mehta – Associate	Textile, FMCG, Infra	+91-22-6138 9384	rishabh.mehta@bobcaps.in
Hareesha Kakker – Associate	Bio Technology, Pharmaceuticals	+91-22-6138 9351	hareesha@bobcaps.in

UTI Tower, 3rd Floor, South Wing, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051. India.

Ph.: +91.22.6138.9300 | | Fax: +91.22.6671.8535 | |

Email: research@bobcaps.in | | Web: www.bobcaps.in

NSE SEBI No. (CASH): INB231304537

NSE SEBI No. (DERIVATIVES): INF231304537

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BUY. We expect the stock to deliver >15% absolute returns.

HOLD. We expect the stock to deliver 5-15% absolute returns.

SELL. We expect the stock to deliver <5% absolute returns.

Not Rated (NR). We have no investment opinion on the stock.

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